(b) whether it is also a fact that because of low spending, which has resulted in scanty arterial network of highways, the inflow of Foreign Direct Investment in the country is getting affected?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The expenditure incurred on National Highways during 2004-05 was Rs. 8746.4 crore amounting to 0.3 per cent of the Gross Domestic Product. Inflow of Foreign Direct Investment depends *inter alia* on a variety of factors including overall investment climate, macro-economic fundamentals and availability of infrastructure.

Performance of VAT in States

2931. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether VAT regime has been introduced since 1st April,2005 in several States;

(b) if so, the details of these States;

(c) the findings of review carried out, if any, of performance of VAT, particularly relating to levy of tax rates imposed on various commodities and variations in gross earnings of these States compared to erstwhile sales tax, over the last six months;.

(d) whether retail prices of various commodities witnessed substantial increase following the introduction of VAT or decreased; and

(e) the aggregate retail prices of selected commodities during the quarter preceding VAT and during the quarter following it?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) State VAT has been implemented by 25 States/Union Territories so far. These are Andhra Pradesh, Assam, Arunachal Pradesh, Bihar, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, NCT of Delhi, Goa, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Sikkim, Tripura, Uttaranchal and West Bengal.

(c) The structure of tax rates under State VAT is fairly simple and relatively moderate compared to earlier Sales Tax systems in most States.

During first six months of implementation of State VAT regime, the tax revenue of the VAT implementing States have shown an overall increase of around 14.3% as compared to the corresponding period of last year, which is higher than the compound annual growth rate of tax revenues of these States for the last 5-year period. This is based on the provisional figures of tax revenues made available by the States.

(d) and (e) Although it is difficult to segeregae the effect of VAT on the rate of inflation or the prices of various commodities (since the same is impacted by a large number of factors), it is noted that the overall annual rate of inflation on the basis of Wholesale Price Index (point-to-point basis) has declined from 5.7% for the week ended 02 April 2005 to 4.32% for the week ended 19 November 2005. In fact, the rate of inflation went down to 3.33% for the week ended 27 Aug. 2005 and the marginal increase in the rate thereafter is largely due to increase in the prices of petroleum products.

Loans for Building Houses in Urban Areas

†2932. SHRI KRIPAL PARMAR: Will the Minister of FINANCE be pleased to state:

(a) whether LIC Housing Finance Ltd., ICICI and HDFC Bank offer long term loan of minimum rupees five lakhs to buy plot and build houses in urban areas only;

(b) if so, the reasons for ban granting loan in rural areas whereas more than 70 per cent population of our country lives in villages;

(c) whether he will consider to issue directions to big housing finance companies and banks of public and private sector to grant long term loans of lower amount for the rural areas;

(d) if so, when and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) According to the information available from National Housing Bank, the housing finance portfolio of LIC Housing Finance Ltd. and ICICI Bank includes long term loans for purchase of plots and houses (both construction and ready purchase) in both urban and rural areas. The quantum of loan is decided on the repayment capacity

† Original notice of the Question was received in Hindi.